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SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - August 18, 2006

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International Relations

12. (U) Lukashenko Stipulates Customs Union, Meets with Putin

On August 17, the heads of state of the Eurasian Economic Community (EURASEC) concluded their summit in the Russian resort city of Sochi. The EURASEC member states formally tasked Belarus, Kazakhstan and Russia with designing a customs union within EURASEC and signed a document formalizing Uzbekistan's accession to the Collective Security Treaty Organization. President Lukashenko predicted the customs union could be created within 18 months, but stated that Belarus would join the union only on condition that EURASEC member states enjoyed equal conditions. Lukashenko also asserted that the establishment of a customs union within EURASEC

would not prevent the member states from joining the World Trade Organization. On August 19, Presidents Putin and Lukashenko met at Putin's residence in Sochi to discuss the Union State of Belarus and Russia. After the meeting, both presidents reported they have more to discuss.

13. (U) Belarus and Ukraine Discuss Cooperation

On August 15, Belarusian Ambassador to Ukraine Valentin Velichko met with Ukrainian First Deputy Prime Minister Mykola Azarov to discuss bilateral economic and political relations. Azarov declared Ukraine is ready for constructive political dialog with Belarus and is still interested in the integration of the members states of the Commonwealth of Independent States despite Ukraine's efforts to join the EU. He noted that Belarusian-Ukrainian trade is projected to total more than USD two billion in 2006. Azarov also called for a bilateral agreement to liberalize border crossings for employees of the Chernobyl nuclear plant who reside in Ukraine's northeastern city of Slavutych and for continuing repairs of the containment structures around Chernobyl's exploded reactor.

14. (U) Lukashenko Greets Indian, South Korean Leaders

On August 15, President Lukashenko sent greetings to the heads of state of India and South Korea on their national holidays. President Lukashenko reportedly expressed hope Belarus and South Korea would continue what Lukashenko described as their "mutually beneficial" cooperation. In his message to Indian President Abdul Kalam on the anniversary of India's Independence, Lukashenko described Indian-Belarusian political and economic cooperation as "fruitful." On August 16, the two countries signed an agreement to resume sales of Belarusian potash to India.

Local Elections

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15. (U) GOB Confirms Date of Local Elections

On August 16, Central Election Commission Head Lidiya Yermoshina confirmed elections for local municipal councils will be held January 14, 2007. She ruled out an early election date, observing that holding elections before Christmas would likely reduce voter turnout. Although President Lukashenko had tentatively endorsed scheduling the elections for January, opposition leaders announced last month that they were preparing for an early election scenario. Approximately 24,000 seats on more than 1,600 municipal councils will be open to challenge.

Civil Society

16. (U) Neo-Nazi Group Denies Connection to Dummy Explosive

On August 17, representatives of the neo-Nazi Russian National Unity (RNE) group denied planting a dummy explosive device at the entrance to the opposition Belarusian Popular Front (BPF)'s headquarters in central Minsk. On August 16, BPF members discovered the fake explosive adorned with the RNE emblem, which resembles a swastika, and filled with RNE leaflets. A week earlier, the independent newspaper "Vitebsk Kurier" received a letter in which RNE leaders threatened to drive the paper out of business. In June, the leader of the Vitebsk chapter of the United Civic Party received a similar letter from RNE.

17. (U) "Partnership" Election Observers Appeal Prison Sentences

On August 14, the defense teams of imprisoned independent election observers Nikolai Astreiko and Timofei Dranchuk filed appeals with the Minsk City Court. Dranchuk's lawyers seek to overturn the conviction, while those of Astreiko merely petitioned the court to

mitigate their client's sentence. On August 4, Judge Leonid Yasinovich sentenced Astreiko to two years and Dranchuk to one year in prison for allegedly operating an unregistered organization called "Partnership," which gained prominence for its impartial observation of Belarus' 2004 parliamentary elections and referendum. According to attorneys for both Dranchuk and Astreiko, Judge Yasinovich downgraded the government's charges without commensurately shortening their sentences. The Minsk City Court has two months to consider the appeals.

18. (U) Opposition Youths Detained in Vitebsk on Solidarity Day

On August 16, police detained ten youths in the eastern city of Gomel and twelve in the northern city of Vitebsk for participating in a candle-lighting ceremony held as part of the monthly "Solidarity Day" commemoration. Several dozen people had assembled near a monument to St. Cyril of Turov in Gomel and dispersed a few minutes later. However, plainclothes police officers brought ten activists to the district police station to record their identities and released them without charges an hour later. In Vitebsk, a dozen activists gathered at the Cross of St. Euphrosyne and lit candles. Police recorded the identities of the twelve youths whom authorities detained but released them thirty minutes later after the officers took down their passport data. The remaining youths had their ID documents checked on the street. Opposition activists in Belarus have been observing Solidarity Day since September 16, 2005, which marked the sixth anniversary of the disappearance of opposition leaders Viktor Gonchar and Anatoliy Krasovskiy.

19. (U) Security Services Oversee Grain Harvest

On August 13, the Belarusian Ministry of Interior Affairs (MVD) reported its personnel are overseeing the ongoing grain harvest at local farms throughout Belarus. The MVD has ordered police to conduct random inspections at facilities where reaped grain, fertilizers, fuel, lubricants and equipment are stored, and inspect vehicles involved in harvesting. Moreover, police also escort grain combines on their way to and from fields to prevent road accidents involving the harvesters, and post warning signs. Top MVD officials purportedly hold weekly conferences to evaluate the effectiveness of police officers in assisting with the harvest.

Trade and Investment

10. (SBU) DuPont Ponders Opening a Representative Office in Minsk

DuPont's Eastern Europe Regional Director John Shmorhun told Pol/Econoffs his company may open an office in Minsk in the near future. According to Shmorhun, DuPont already sells more than USD 10 million worth of products in Belarus in each of several sectors,

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including industrial paints, insulation and refrigerants. In addition to expanding sales of these areas, DuPont hopes to tap the local market for agricultural inputs (hybrid seeds and fertilizers), road construction (geotextiles and bitumen additives) and technologies for oil and gas refineries.

Domestic Economics

10. (U) Belarus' GDP Up Ten Percent on Year

On August 16, Belarus' Ministry of Statistics claimed Gross Domestic Product (GDP) reached USD 19.6 billion as of August 1, 2006, up 10.1 percent from the same point last year. In 2005, Belarus' GDP reportedly grew 9.2 percent on the year USD.

11. (U) National Bank Reports 18.6 Percent Growth in Money Supply

On August 17, the National Bank of Belarus (NBB) reported the Belarusian money supply grew by 18.6 percent in the first six months of 2006 to 10,200 billion rubles as of July 1, while

consumer prices rose by 3.1 percent in the period. The amount of cash in circulation increased by 23.3 percent to 2.5 trillion rubles and accounted for 24.4 percent of the money supply on July 1, down from 25.2 percent on July 1, 2005. The amount of non-cash money on July 1, 2006 totaled 7.7 trillion rubles, or 75.6 percent of the money supply.

¶12. (U) GOB Reports Hiring 411,000, Dismissing 399,000

On August 17, Belarus' Ministry of Statistics for Analysis reported government-owned organizations and companies hired 411,000 people and dismissed 399,000 in the first six months of 2006. Almost 80 percent of those dismissed reportedly left voluntarily. Seven percent were fired for absenteeism and 1.7 percent as a result of lay offs. Almost 7,500 were dismissed for alcohol intoxication at work, ostensibly an 11 percent decrease from last year.

Quote of the Week

¶13. (U) In a display of cognitive dissonance reminiscent of the Cold War, pro-government Communist Party of Belarus (CPB) General Secretary Georgiy Atamanov offered the state daily newspaper

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"Respublika" the following observation regarding his recent meeting with Pol/Econ Chief and Poloff (reftel):

"Unlike the opposition which is spending most of its time abroad, the pro-Government communists know the real state of things in Belarus and that is why it is more effective to deal with them than with the opposition. American diplomats are very educated specialists who know Russian very well. Therefore, deep down in their souls they understand that the opposition lies to them but their ideological and political position does not allow them to look for the truth."

Moore